



# INDIAN INSTITUTE OF MATERIALS MANAGEMENT

Post Graduate Diploma in Logistics & SCM  
Post Graduate Diploma in Materials Management - 2 years

PAPER No.13 (enrolment code –CPM, CPS)

PAPER No. 11(enrolment code- PMM, PSM, CMM, CSM) [ OFFLINE EXAM]

## Purchase Management

Dec 2023

Date : 15.12.2023  
Time : 10.00 a.m to 1.00 p.m.

Max. Marks : 70  
Duration : 3 Hrs.

### Instructions:

- From Part A – answer all questions (compulsory). Each sub questions carries 1 mark. **Total : 20 Marks**
- From Part B – Answer any 3 questions out of 5 questions. Each question carries 10 marks. **Total :30 Marks**
- Part C is a case study (compulsory) with questions. Read the case study carefully and answer the questions **Total: 20 Marks**

### Part – A

[20 Marks]

(Attempt all questions. Each sub question carries 1 mark.)

**Q1. Please state whether following statements are 'True' or 'False'. (5 Marks)**

- Centralised Purchasing has the advantage that local purchases are easy
- Reverse Auction is used for procurement of goods & services
- Right quality is same as best quality
- A sensor cannot perceive external stimuli
- All Contracts are Agreements but all Agreements are not contracts

**Q.2 Fill in the blanks –**

- \_\_\_\_\_ system has a 10 digit numeric code
- Sourcing goods from international market is called \_\_\_\_\_ sourcing
- When only a limited number of products from the lots are sent for sampling, it is called \_\_\_\_\_ sampling
- Process of systematic analysis of existing products to eliminate extra costs is called \_\_\_\_\_ analysis
- Excess stock held to take care of unforeseen circumstances is called \_\_\_\_\_

**Q.3. Match the following :**

**(5 Marks)**

Term		Answer	
1	Purchasing	A	Whether to accept or reject the products
2	Offer	B	Goods developed internally
3	In-Housing	C	Willingness to go ahead with the contract
4	Global Sourcing	D	Concerned with the buying needs of Organization
5	Acceptance sampling	E	Goods from the International Market

**Q. 4. Write full forms of the following:**

**(5 Marks)**

- ASTM
- ISO
- BOM
- ROI
- SRM

**PART B****[30 marks]****(Attempt any 3. Each question carries 10 marks)**

- Q.5.** (a) Explain briefly the inputs and outputs of an MRP system **(5 Marks)**  
(b) Differentiate between Purchase order and contract. Which of the two gives more protection to the supplier and why? **(5 Marks)**
- Q.6 .** (a) What is JIT? Why do companies adopt it ? What are the prerequisites for implementing JIT ? **(5 Marks)**  
(b) Explain Negotiation Strategies for effective buying. **(5 Marks)**
- Q.7.** (a) Compare and contrast in-house manufacturing v/s out sourcing? **(5 Marks)**  
(b) Define Price, Cost and Value. Explain the difference between these terms **(5 Marks)**
- Q.8.** (a) Compare and contrast Procurement and Purchasing. **(5 Marks)**  
(b) Why is sampling done? Explain any Two acceptance sampling methods **(5 Marks)**
- Q.9.** (a) Write short notes on any TWO - **(5 Marks x 2)**  
(i) 5 Rs of Purchasing  
(ii) Need for Materials Research  
(iii) Lease or buy analysis  
(iv) Green Purchasing

**PART –C****[20 marks]****Q. 10. Case study – Compulsory**

Pendulum is a designer, assembler and manufacturer of clocks that automatically update themselves using transmission from satellites. Even though their sale was steadily rising, profits were steadily reducing, so the company appointed a consultant to study the reasons and recommend solutions .

The consultant started with a process value analysis for one of the top models “Accutrack”. He found that 62% of it’s raw materials came from one supplier – BDD. He next studied the process map of BDD. To the horror of BDD and Pendulum’s management, the consultant began writing V, N or W over every process – V for value adding activity, N for non-value adding but necessary activity and W for waste i.e neither value adding nor necessary. He concluded that 92% is waste, 3% is non value adding but necessary and only 5% is value adding activity.

The consultant explained – for example setup time is necessary but not value adding, material sitting in WIP for the next process to happen is waste and the actual stamping activity is value adding activity. We should look from the perspective of the customer; the customer is ready to pay for specific features and quality, but why should the customer pay for idle inventory, long lead time and lower productivity?

The Top Management of Pendulum understood and they realized the necessity of not only supplier development, but also starting VA/VE activity within the company

**Questions :**

- Q1. VA activity is sure to give immense benefits to Pendulum. List any 5 benefits Pendulum expects to capture by implementing VA/VE
- Q2 Suggest to the Top Management of Pendulum how to go about implementing VA/VE in the company
- Q3. Give TWO examples each of V, N and W in any manufacturing industry (do not repeat the examples above)